

WHERE THE MARKET IS NOW—PHOENIX METRO AREA — Dec. 2011

For the Phoenix Metro Area, prices are up for the third month in a row. There are fewer properties on the market as the Active Listings have decreased—another good sign. Pending Sales being slightly down is due to the decrease in listings.

The Phoenix Metro Area is still a Buyers market, but, to a lesser extent than before. It is becoming a Sellers market, as well.

As during last month, Sellers are competing with fewer distressed properties, which is reflected by the Average Price of Monthly Sales.

The market continues to benefit from incredibly low mortgage rates—good news for both Buyers and Sellers.

The Phoenix Metro Area real estate market is doing extremely well, and will continue to do even better.

In a nationwide survey by the National Association of Realtors Phoenix ranked 6th in the nation in real estate sales with a 17.3% year-to-date sales growth. Not bad.

Phoenix Metro Area	12/1/2011	11/1/2011	10/1/2011	9/1/2011
Active Listings	26,655	27,063	26,954	26,876
Pending Sales	10,171	10,509	10,911	11,520
Sales per Month	7,108	7,436	7,278	8,619
Months Supply	3.6	3.5	3.5	3.2
Avg. Price Monthly Sales	\$160,072	\$153,484	\$152,700	\$150,769

WHERE THE MARKET IS NOW—PARADISE VALLEY

The Average Price for Monthly Sales for Paradise Valley has increased again which has more listings are encouraged to come into the market. This price increase is strong and has taken place in spite of the rise of sales coming from distressed properties—bank owned and pre-foreclosure.

Another bright spot for Paradise Valley is the significant decrease in Months Supply to only 9.6 months—not bad for a luxury market.

Like the Phoenix Metro Area, the Paradise Valley real estate market is becoming good for both Buyers and Sellers. We see this trend as continuing.

Paradise Valley	12/1/2011	11/1/2011	10/1/2011	9/1/2011
Active Listings	306	289	279	267
Pending Sales	27	35	34	40

Sales per Month	32	24	26	28
Months Supply	9.6	12	10.7	9.5
Avg. Price Monthly Sales	\$1,411,303	\$1,376,063	\$1,022,919	\$1,120,946

WHERE THE MARKET IS NOW—SCOTTSDALE

Scottsdale's Sales Prices have increased for the second month in a row.

As we said in last month's newsletter, "Scottsdale is not just a Buyers market, but is opening up for Sellers, as well."

Pending Sales and Active Listings are steady compared to the prior month, and there is little change in the Months Supply.

The Scottsdale real estate market continues to look good, and is following the same welcome trend as the markets in the Phoenix Metro Area, and Paradise Valley.

Scottsdale	12/1/2011	11/1/2011	10/1/2011	9/1/2011
Active Listings	2,139	2,132	2,012	1,979
Pending Sales	453	454	527	505
Sales per Month	398	403	386	420
Months Supply	5.5	5.3	5.3	4.9
Avg. Price Monthly Sales	\$462,398	\$446,899	\$439,522	\$440,415

RESIDENTIAL RENTAL PROPERTIES

Demand for residential rental properties remains strong

Demand for residential rental units remains strong.

Campbell Surveys estimates that 61.6% of investor properties purchased during the month of October will be rented out, with the remainder being flipped.

Last month, we posed the question, "Is renting becoming the new normal?" We wrote then, "Now we are sure that it has."

Others agree.

Morgan Stanley released a report just a few weeks ago saying it is a great time for institutional investors to snap up distressed single-family homes and turn them into long-term rental units. The company says the properties don't compete with the classic apartment rental property, so investors don't have to worry about cannibalizing their multifamily rental investment portfolios to take advantage of the huge opportunities in single-family rental property ownership.

What's more, Morgan Stanley doesn't see this shift to renting as a temporary phenomenon, and states, "America is moving away from a home ownership society and towards a rentership society."

The reasons for the switch to renting as given by Morgan Stanley are;

- Home price declines: not only are millions of homes available to investors at deeply discounted pricing but the low prices are changing consumer attitudes on housing as an investment.
- Hurdles to buying: down payment requirements, higher FICO score thresholds, and income verification are making it harder for households to even consider buying.
- Costs of ownership: without home price inflation, costs like property taxes, home owner association dues, maintenance and repair make ownership less attractive.
- Demographic effects: Gen Y growth is heading up while baby boomer households are downsizing.
- Unemployment, labor insecurity and mobility: long unemployment durations make labor mobility (and thus renting) more important.

According to *Barron's*, by 2015, there will be 4.3 million more rental units and 1.8 million fewer owned homes than at present.

Multifamily construction spending for rentals is 6.7% above its year-ago level and the recent performance of multifamily starts and permits point to additional increases in spending on apartments and other multifamily projects.

NEW HOME SALES/CONSTRUCTION

Residential Construction Spending Rises in October

Spending on private residential construction projects jumped 3.4% during October. The initial estimate for September was also revised higher, shifting from a gain of 0.2% up to 0.6%.

New single-family housing notched its fifth consecutive month-to-month increase in spending with a 0.6% gain in October. In addition, it registered a 1% improvement over October 2010 levels, representing—the first year-over-year increase in 13 months. This improvement is consistent with recent data pointing to stabilizing house prices and improving homebuilder optimism.

Conforming loan limits extended

In addition, the National Association of Home Builders (NAHB) recently applauded Congress for reinstating for another two years the higher conforming

loan limits for the Federal Housing Administration (FHA), noting that this is an important step to help mend the struggling housing market.

"We commend congressional leaders in both parties and each chamber of Congress for taking this action to boost overall mortgage liquidity in the marketplace, create jobs, and provide home owners and home buyers with safe and affordable financing," said NAHB Chairman Bob Nielsen.

PHOENIX METRO AREA COMMERCIAL REAL ESTATE

The situation is improving only for multifamily sales for the Phoenix Metro Area commercial real estate market.

According to statistics produced by Loopnet:

- Multifamily sales prices are slowly increasing.
- Office property sales price are decreasing.
- Industrial property sales prices are decreasing.

DISTRESSED PROPERTIES (FORECLOSURES AND SHORT SALES)

Phoenix Metro Area—good news

According to the Cromford Report®, "Short sales and pre-foreclosures have now overtaken REO sales of single family homes in Greater Phoenix. Normal listings are in first place. They overtook REOs in mid November. REOs are now in third place having held the number one spot from August 2008 until November 2011."

This is great news and a game-changer!

(Data indicates distressed that properties are located in the outlying areas of the Valley. In particular, statistics show that the cities with the greatest number of distressed properties include Laveen, Surprise and Goodyear. In contrast, Phoenix, Paradise Valley, Glendale and Scottsdale reported the least number of distressed properties in November.)

Distressed properties, nationally

CoreLogic, in its Third Quarter Negative Equity Report, stated that negative equity has declined, According to the report; 10.7 million homes with mortgages are still underwater, comprising 22.1% of all residential homes with mortgages. This is down from the second quarter, where 10.9 million homes and 22.5% of homeowners with mortgages were underwater.

Negative equity is concentrated in the states that experienced the most dramatic price drops. The states with the highest percentages of negative equity are Nevada (58% of all mortgaged residential homes underwater), Arizona (47%), Florida (44%), Michigan (35%), Georgia (30%), and California (30%).

Negative equity is the biggest problem facing the housing market today, and has been so for some time now.

None of the housing plans that have been enacted by the government have done anything whatsoever to cut the amount of negative equity in the housing market.

At one time, negative equity could have been relieved through bankruptcy, but bankruptcy laws have been radically changed, and bankruptcy is no longer the answer.

WHERE THE MARKET IS NOW—NATIONWIDE

12 Cities Where Housing is Booming—Rankings

Total existing-home sales are up 13.5% from the 4.38 million unit level in October 2010, according to the National Association of Realtors.

While housing was up 13.5% nationwide in October, some areas are experiencing higher year-to-date sales growth than others.

The cities with the highest year-to-date sales growth are:

1. Miami
2. Atlanta
3. Minneapolis/St. Paul
4. Cincinnati
5. New Orleans
6. Phoenix
7. Philadelphia
8. Dallas/Fort Worth
9. Kansas City
10. Portland
11. Indianapolis
12. Boston

In addition, there has been a consistent drop in the number of homes sitting on the market. Total housing inventory at the end of October fell 2.2% to 3.33 million, which represents an 8-month supply at the current sales pace, down from an 8.3-month supply in September.

Single-family home sales increased 1.6% to a seasonally adjusted annual rate of 4.38 million in October from 4.31 million in September, and are 13.8% higher than the 3.85 million-unit pace one year ago.

- Existing-home sales in the Northeast fell 5.1% to an annual level of 750,000 in October but are 1.4% above October 2010.
- Existing-home sales in the Midwest rose 2.8% in October to a pace of 1.10 million and are 19.6% higher than October 2010.
- In the South, existing-home sales increased 2.1% to an annual level of 1.94 million in October and are 14.1% above a year ago.
- Existing-home sales in the West rose 4.4% to an annual pace of 1.19 million in October and are 15.5% higher than October 2010.

Investor sales surge driving the market nationally

Low home prices and strong demand for rental properties are causing a surge in investor buying.

According to the latest Campbell/Inside Mortgage Finance HousingPulse Tracking Survey, investor purchases hit 22.3% of closed transactions for the month of October, up from just 19.6% as recently as July.

All-cash sales accounted for 29% of purchases in October.

First-time buyers accounted for 34% of transactions in October, up from 32% in September; they were 32% in October 2010.

In October, average prices for damaged REO properties hit \$101,100, the lowest price recorded in two years.

In contrast, home prices for non-distressed residential properties averaged \$266,700 in October. Distressed homes—foreclosures and short sales typically sold at deep discounts—slipped to 28% of sales in October from 30% in September (17% were foreclosures and 11% were short sales); they were 34% in October 2010.

Meanwhile, the gap between the supply of distressed properties and their absorption by first-time homebuyers widened to 13.7% in October, from a reading of 8.8% in September.

This shows that first-time homebuyers have become less active in the distressed property housing market.

THE LATEST S&P CASE-SHILLER HOME PRICE INDEX

Data through September 2011, released by S&P for its S&P/Case-Shiller Home Price Index, show that nationally home prices did not register a significant change in the third quarter of 2011.

The U.S. National Home Price Index was up by only 0.1% from its second quarter level.

The table below summarizes the results for September 2011.

The Case-Shiller Home Price Index

Metropolitan Area	Sept/August Change (%)	August/July Change (%)	July/June Change (%)
Atlanta	-5.9%	-2.4%	0.2%
Boston	-0.8%	-0.1%	0.8%
Charlotte	-0.9%	-0.1%	0.1%
Chicago	-0.8%	1.4%	1.9%
Cleveland	-1.2%	0.3%	0.9%
Dallas	-0.6%	0.2%	0.9%
Denver	-0.8%	0.4%	0.0%
Detroit	-0.5%	1.6%	4.3%
Las Vegas	-1.4%	-0.3%	-0.2%
Los Angeles	-0.8%	-0.4%	0.2%
Miami	-0.7%	-0.3%	1.2%
Minneapolis	-0.9%	0.4%	2.7%
New York	0.1%	0.5%	1.2%
Phoenix	-0.2%	-0.1%	-0.1%
Portland	0.1%	0.1%	1.0%
San Diego	-0.8%	-0.2%	0.1%
San Francisco	-1.5%	-0.1%	0.3%
Seattle	-1.1%	-0.3%	0.1%
Tampa	-1.5%	0.0%	0.8%
Washington	1.2%	0.6%	1.8%

It is important to point out that the Case-Shiller Home Price Index is a lagging indicator—it shows the trend several months in the past.

FEDERAL HOUSING PROGRAMS

FHA Loan Limits

President Barack Obama signed a bill on November 18, 2011, that reinstates the recently expired higher loan limits that were in effect for FHA and VA loans through December 31, 2013, but does not provide this extension to Freddie Mac and Fannie Mae.

With the signing of H.R. 2112, the FHA and VA loan limits have been increased back to the limits that were in effect prior to 10/1/2011.

This means that loan limits for Maricopa County have been restored to \$346,250. Good news!

Take advantage of expiring tax deductions

There are several real estate related tax credits and deductions which are set to expire at the end of the year. Given the current mood for federal debt reduction, Congress might let these deductions expire.

If you want to take advantage of these deductions for the current tax year, you need to act before Jan. 1, 2012.

Mortgage insurance premium deduction

If you itemize deductions, you may deduct the premiums you pay for mortgage insurance, just like you do mortgage interest. However, this deduction is phased out if your income exceeds certain levels. To qualify for the full deduction, a couple or a single taxpayer must have an adjusted gross income of \$100,000 or less. The deduction is phased out completely if AGI exceeds \$109,000.

Home energy credit

First, any homeowner may qualify for an energy credit of up to \$500. You can qualify for the credit if you purchase during 2011 solar panels to generate electricity or for water heating, or install wind energy equipment, a geothermal heat pump, or certain types of fuel cells to generate electricity. The credit is up to 30% of the amount you spend, up to the \$500 limit. This credit is not available for purchases in 2012.

Is the Mortgage Debt Relief Act Safe?

In Arizona, "anti-deficiency statutes" prevent lenders from foreclosing on a property and then suing the borrower for the unpaid loan balance.

These are powerful and effective consumer laws that, during our severe recession, have saved thousands of homeowners from bankruptcy.

In relation to deficiency issues, beware of a tax on your "phantom" income.

When a lender lets you off the hook from a portion of your mortgage, the IRS can, under certain circumstances, treat the "forgiveness of debt" to be ordinary income.

Thanks to current federal law (which is scheduled to expire at the end of 2012) a foreclosure of your principal residence will not result in taxable income.

If the government simply allows the temporary Mortgage Debt Relief Act to expire for everyone at the end of 2012, it will affect many people, even those making a lot less than \$250,000.

MORTGAGE RATES

The sample mortgage rates below are based on \$200,000 loan amount with 20% down, 720 FICO rating, and zero rate buy-down points.

Please note that 20% down will also remove the need for Mortgage Insurance and provide a lower monthly payment.

30 Year Fixed	3.875% (APR 4.175%)
15 Year Fixed	3.375% (APR 4.125%)
5/1 Year ARM	3.375% (APR 3.51%)

These rates are estimates and quotes will vary dependent upon the qualifications of the buyer and the lenders' available rates subject to current market conditions.

The mortgage information is courtesy of:

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CALL DEANNA if you have a lender who fell through or can't make it on time. I can help you even if you are working with another agent. I will help you get your loan through!

MARKET TRENDS FOR YOUR NEIGHBORHOOD!

If you would like to see what is going on in your neighborhood, call me for a free market analysis of your home.

For all of your real estate questions and needs—or if you know anyone who is thinking about buying, selling or investing in real estate—please call me today!

MARKET ADVICE FOR BUYERS AND SELLERS

If You Are Buying

Again, Buyers and Investors, please note the incredibly low mortgage rates!

This is the time to lock in the deal of a lifetime!

Investment properties for rental are particularly attractive, as rental prices increase and more renters come into the market.

For both investors and non-investors, it is a great time to upgrade with home prices being so affordable and interest rates are still low.

Keep in mind that I have also worked with a lot of Canadian Buyers, and “know the ropes.”

Call me for more details! My team of Buyers Agents is ready to serve YOU!

\$\$ Call now and ask about investing while the prices are affordable \$\$

Buyers, please talk to a lender before you start your home search! You want to be ready with your *loan prequalification letter* which is necessary to accompany your offer on a property. Feel free to ask me to recommend a loan officer who can help you. We deal with the best.

There are great deals to be had in the Phoenix Metro area. There are home prices that have not been seen in years, but are on the way up. Investors still are scrambling to pick up bargain properties.

Call me if you want to buy—even you have had a foreclosure of a short sale! I have closed scores of short sales and am relentless until we have bank approval.

It is becoming much less difficult for sellers of non-distressed homes to compete with distressed properties (foreclosures and short sales) on price.

This is because the percentage of distressed properties on the market is decreasing—rapidly.

Call me if you want to sell—even, and especially, if you have a distressed property on your hands. Refer a friend and ask me how you get a \$1,000 bonus!

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